

1 COMMISSIONER ABERNATHY: We'll head on to the
2 second panel, and it's the Scope of Support/Measures to
3 Control Fund Growth. Once again, we'll start with each of
4 the panelists.

5 You have three minutes to make your
6 presentations, and I'd really like you to hold to that time,
7 because, as you saw before, we have a lot of questions and
8 that's the best part of the dialogue, so I'd really like you
9 to try and stick with it.

10 And we'll start with Susanne Guyer from Verizon
11 Communications.

12 Thanks, Susanne, for coming.

13 MS. GUYER: Thank you. This -- is this on?
14 Thank you for inviting me to speak with you today and I
15 comment the joint board's leadership on this important
16 issue.

17 I'd like to begin my remarks by reiterating the
18 fundamental reasons for universal service policies. To
19 provide all American's access to quality telecommunications
20 service at reasonably comparable and affordable rates. The
21 universal service provisions of the Act are among the most
22 fundamental tenants of the Act.

23 However, we are at a crossroads with respect to
24 universal service fund. As we examine the facts, we see
25 that the size of the fund grows with each new eligible

1 telecommunications carrier or ETC.

2 Under the rule, as the fund size grows, the
3 assessment on individual consumers increases. And
4 subsidizing multiple carriers in the areas where it is not
5 economically efficient for even one to operate, dilutes the
6 support from its intended purposes. Ultimately, as a
7 result, affordable service is threatened.

8 So how do we minimize the impact on consumers,
9 while ensuring the basic tenant of affordable access to
10 telecommunication services for all? Verizon had adjusted
11 several policy modifications that we believe will ease
12 consumer impacts while ensuring reasonably comparable and
13 affordable rates to all of rural America.

14 Now, I've provided you all with written
15 testimony, so what I'm going to do today is, in here, is to
16 just do an overview of our recommendations.

17 Verizon -- number one -- Verizon endorses the
18 proposal recommended by the Rural Task Force. That is,
19 freeze high-cost loop support for a rural telephone company
20 upon Commission approval of a competitive ETC.

21 Now the Commission declined to adopt the freeze
22 three years ago because it found that the potential problem
23 of excessive growth in the high-cost fund due to competitive
24 ETC lines to be speculative. However, the recent growth and
25 support being given to or sought by competitive ETCs shows

1 that the concerns raised by the joint board are now a
2 reality.

3 Proposal two. Verizon recommends that no more
4 than one ETC should be designated to receive universal
5 service funds for a specific customer. Rural incumbent
6 local exchange carriers would continue to be supported until
7 another service provider wins the customer.

8 We suggest for competitive ETC services, customer
9 certification that the supported lines are the consumer's
10 sole connection to the network would be required. For
11 example, the life line certification process could be used
12 as a guide for that kind of certification.

13 Proposal three. Competitive ETC wins the
14 consumer and supplies the consumer's only connection to the
15 network, the support goes to the ETC for all lines provided.
16 Verizon does not believe that supporting all lines would
17 cause the fund size to grow at an unsustainable rate. And
18 the administrative issues associated with support of only a
19 primary line are problematic and potentially costly.

20 In conclusion, the modifications I have discussed
21 today are measured steps that can be adopted and implemented
22 now to minimize consumer impact and help to check the growth
23 of the high-cost fund. Adoption of these measures would
24 help to ensure the continued viability of universal service,
25 allowed competitive ETCs to compete for customers with clear

1 rules of the road, or in this case, rules of the back roads,
2 when they choose to serve rural America, and these changes
3 would work within the framework of the current rules.

4 Thank you for inviting me to speak to you today.

5 COMMISSIONER ABERNATHY: Thank you very much.
6 Let's move on. Joel Lubin, from AT&T Corp., thanks for
7 coming to Denver, and we look forward to hearing your
8 remarks.

9 MR. LUBIN: Thank you. Members of the Federal-
10 State Joint Board on Universal Service thank you for
11 inviting me here to testify on behalf of AT&T on the
12 critical issues associated with universal service associated
13 with controlling the size of the fund and the growth.

14 In 1996 the joint board recommended the universal
15 service support be limited to a single connection to a home
16 or a business. That was the right decision then, and it is
17 the right decision today.

18 In '96 there were approximately 45 million
19 wireless subscribers. Today there are over 141 million
20 subscribers. In 1996 there were 101 million households with
21 about 94 percent having telephone service. Today there are
22 over 109 million households, over 95 percent of them have
23 telephone service.

24 Conclusion; the number of households with
25 telephone service is growing. Consumers are using wireless

1 to supplement, not replace wire line service. There are two
2 separate policy issues that need to be addressed.

3 Issue number one. Rules for governing when a
4 CLEC, whether it's wire or wireless, wins a customer from an
5 ILEC by competing head to head. Issue number two. Should
6 wireless supplementary service be supported by universal
7 service? Different question.

8 Let's go back to issue number one. Any CETC,
9 wire or wireless, should be treated no differently than the
10 incumbent LEC when competing with each other head to head.

11 Support for the CETC should be the support for
12 the incumbent that the incumbent would receive. This is the
13 cornerstone of portability of USF and creating competition.

14 Issue two. Should wireless supplementary service
15 be supported by USF? This is clearly a different question.
16 Some parties argue that wireless service is an essential
17 service. Others such find a fundamental change to the
18 definition of the universal service requires a separate
19 policy investigation focused on the question of whether or
20 not to support mobility.

21 What is clear is that the existing high-cost
22 support mechanism is an inappropriate mechanism for
23 supporting wireless deployment when it isn't competing head
24 to head. The existing support is based on wire line cost
25 not -- that are only split by jurisdiction today.

1 Any USF of mobility must be based on cost and
2 rates of providing mobile service that is in one
3 jurisdiction. You must look at the cost of wireless
4 compared to a package price. This requires a new high-cost
5 mechanism for which wireless providers are eligible. This
6 is when we are addressing issue number two. Should this
7 supplementary service be supported, not issue number one.

8 One final point is that it is important to
9 control the size of the fund. The Rural Task Force
10 appropriately recommended ending the USF support as an ILEC
11 guarantee within the high-cost loop mechanism.

12 Once a CETC is certified, under the RTF
13 recommendation, the high-cost loop per-line support would
14 have been capped at the time of certification. Capping the
15 support per-line, once a CETC is certified, is another
16 critical step to control the growth of the size of the fund.

17 I look forward to answering your questions.
18 Thank you.

19 COMMISSIONER ABERNATHY: Thank you very much.
20 Now we'll turn on to Brian Staihr, who's with Sprint
21 Corporation. And, again, thanks for joining us today.

22 MR. STAIHR: Thank you for letting me be here.
23 My name is Brian Staihr and I'm an economist and I work for
24 Sprint.

25 And when I say work for Sprint, I work for the

1 local company, I work for PCS, the wireless company, I work
2 for the long distance company, and I work for our wire line
3 CLEC operations. So I truly do understand just about every
4 point of view that is being expressed in this room today.

5 What we're looking at here is one way of
6 controlling the size of fund growth. We're just looking at
7 one way right now according to this agenda, limiting support
8 to primary lines. The first question I have to put forth
9 is, why are we focusing just on this one? Why aren't we
10 having an entire workshop on the possibility of capping a
11 study area total?

12 There are lots of ways to control fund growth.
13 Lots of them. So what we need to do is look at this one
14 that's laid out before us, limiting support to primary
15 lines, and ask some questions. Is it the best way? Is it
16 the most efficient way? The most economic way? The least
17 harmful way? The easiest way to implement?

18 How do we decide if it's the right way? Three
19 things we have to consider. First, is it consistent with
20 some of these other goals we have? Competitive neutrality
21 and promoting competition, not just tolerating competition,
22 promoting competition. Sprint's comments are pretty clear
23 that it's not.

24 Number two. Is it administratively workable?
25 Absolutely no. I hope we can have a lot of discussion about

1 that because the administrative aspects of this would be a
2 nightmare.

3 The third. Is there some reason to believe that
4 this action, taking away support from non-primary lines, is
5 justifiable on its own? Is there some reason to think that
6 primary lines are the only ones that need support deserve
7 support.

8 My colleague here, Joel, talked about
9 substitutability and complementary nature of these services.
10 The economists love to agree to disagree. I think that -- I
11 think we're going to talk about that secondary lines, non-
12 primary lines, have just as much need for support, are just
13 as deserving of support.

14 So it comes down to this, is limiting support for
15 primary lines justifiable on its own? No. Is it
16 administratively workable? No. Is it the most efficient
17 way to control the size of the fund? No. Do we need to
18 look seriously at other alternatives? Yes. That's where I
19 stop.

20 COMMISSIONER ABERNATHY: Let's move on to David
21 LaFuria, who's with the Alliance of Rural CMRS Carriers, and
22 we look forward to hearing your remarks.

23 MR. LaFURIA: Good morning, Commissioner. On
24 behalf of the Alliance of Rural CMRS Carriers, it's a
25 privilege to have the opportunity to appear before you.

1 Briefly, ARCC members are independent wireless
2 companies who are focused almost exclusively in rural
3 America. They face the same challenges, and their
4 circumstances are far more similar to rural wireless
5 carriers than they are different.

6 This hearing is appropriate because the
7 challenges are complex and the proposed solutions are
8 diverse. Above the complexity, however, stands clear and
9 simple direction from Congress, which has been amplified by
10 the Supreme Court and the Federal Courts of Appeals.

11 Congress, in our view, never intended to limit
12 rural consumers' access to one service provider, one
13 technology or one location. Indeed, I think, as Mr. Lubin
14 accurately points, back in 1996 roughly 94 or 95 percent of
15 America already had access.

16 Section 254(b)(3) of the Act fundamentally
17 changed the goals of the universal service from simply
18 providing access or a connection to the network, to
19 providing rural consumers with access to the same kinds of
20 telecommunications choices and its similar rates as those
21 that are available in urban areas.

22 Attempts to frame this proceeding as being about
23 controlling competitive entry and funding so as to sustain
24 the federal fund must be rejected. The appropriate question
25 must be, how do we effectuate the will of Congress to open

1 rural markets to competition and provide for sustainable
2 universal service fund?

3 Based on comments submitted in this proceeding,
4 we recommend the following four immediate steps to sustain
5 the fund and promote competitive entry.

6 First, as others have suggested, capping support
7 to a study area or another area that is appropriate when a
8 competitor enters. Even a soft cap, one that can be raised
9 due to inflation or other factors or adjustments are
10 essential to managing the growth of the fund.

11 Two, hand in glove with caps, is making support
12 fully portable. That is, when one carrier gets support,
13 another carrier loses. Portability of support is viewed by
14 some in the comments as an option. The Fifth Circuit's
15 ALENCO decision makes clear that it is mandated. There can
16 be no competitively neutral system of support without full
17 portability.

18 Third, begin in earnest, the process of moving
19 ILECs to economic costs. This was discussed significantly
20 in the prior panel, and I think it's important to understand
21 that economic costs are a fundamental basis for providing
22 support and judging cost that has been firmly and squarely
23 approved by the Supreme Court.

24 Fourth, require ILECs to more accurately target
25 support upon competitive entry. Less than 10 percent of

1 rural ILECs to date have disaggregated their support, and as
2 a result, some ARCC members and others, receive -- continue
3 to receive support in low-cost portions of a study area,
4 even when they shouldn't.

5 The more accurately targeting support to the
6 higher cost areas will go a long way to solving what has
7 been called the customer list problem. These four actions
8 that we suggest here will advance universal service, promote
9 competition and lawfully fulfill Congressional mandates.

10 Thank you for listening. I look forward to your
11 questions.

12 COMMISSIONER ABERNATHY: Thank you very much.
13 And now we'll hear from Ken Reif?

14 MR. REIF: Reif.

15 COMMISSIONER ABERNATHY: I knew I'd get it wrong.
16 Ken Reif, who's with NASUCA, and we look forward to hearing
17 NASUCA's perspective on this particular issue.

18 MR. REIF: Thank you, Madam Commissioner. My
19 name's Ken Reif. I'm the Director of the Colorado Office of
20 Consumer Counsel. It's nice to have Commissioner Rowe here.
21 We've had discussions on these phone issues over the years,
22 and he and I agree on many things on that.

23 In fact, I was going to pick up a point -- I'm
24 going to -- I'm speaking on behalf of NASUCA today, but I
25 thought I would help and try and give some Colorado examples

1 of what Colorado consumers, and I think by implication,
2 western consumers are dealing with.

3 Not too long ago, the biggest complaint that I
4 got from telephone consumers was, hey, I can't get a phone,
5 it's taken me two months to get a phone. Or, I can't get my
6 phone fixed, it's taken me three weeks to get my phone
7 fixed. Again, Commission Rowe remembers those.

8 I don't hear that anymore. That's been largely
9 taken care of. What I hear instead is, what are all those
10 blasted surcharges on my bill and why do they all go up? I
11 hear that every single day.

12 And if the growth projections for the federal
13 universal service fund are anywhere close to true, I'm here
14 to tell you that it's not sustainable. Politically and for
15 consumers, and it will collapse under its own weight. So I
16 think it's very timely that the Commission Joint Board and
17 the Commission is looking at this.

18 I can give you a Colorado example. In the first
19 several years of the state high-cost fund, when it was
20 implemented as a result of the Act, the fund started to grow
21 from somewhere around 35 million dollars to above 60 million
22 dollars. And there was consumer outrage.

23 And the legislature stepped in and they put a
24 hard cap on it. They said there will be no state high-cost
25 support greater than 60 million dollars. That -- a sunset

1 of that, and that has gone away -- but it has served as an
2 informal cap for the state high-cost fund ever since. And,
3 at the moment, the state high-cost fund is less than 60
4 million dollars, and I expect it will remain there for some
5 period of time.

6 So, for the purpose of this panel, NASUCA very
7 much supports restriction of a high-cost support for one
8 line per household or business. And I look forward to your
9 questions.

10 COMMISSIONER ABERNATHY: Thanks again to all the
11 panelists. I think what we'll do this time is start at the
12 other end of the table so that we'll give equal time to all
13 of the joint board commissioners. So, Billy Jack Gregg, you
14 want to start?

15 MR. GREGG: Thank you. Good morning panel
16 members. I have two areas of questions to start off with.
17 The first is on the meaning of the Act, and I dread to go
18 there. And the second is on the administrative issues
19 related to supporting single or multiple lines.

20 On the first area, I'd like to get the reaction
21 from the panelist as to whether the Act promised all
22 Americans access to a basic set of supported services, or
23 did it promise access to an unlimited number of subsidized
24 carriers?

25 MR. REIF: My own view, Billy Jack, is that

1 universal service is designed to let folks in rural areas
2 and high-cost areas have reasonable access to the switch
3 network. And I would limit it in my own mind to that. I
4 know there's debate about it, but I interpret the Act in
5 that way.

6 MR. LaFURIA: Mr. Gregg, as I said in my opening,
7 I believe that if all the '96 Act stood for was to provide a
8 connection to the network, there was no need for Congress to
9 intertwine competition with universal service and to make a
10 very specific command in 254(b)(3) that consumers in rural
11 areas have the same kinds of choices.

12 And I believe those kinds of choices can be
13 vividly illustrated by simply coming to any major city, like
14 Denver. You will discover that there are at least one, or
15 maybe as many as three, wireless networks, which provide you
16 today the opportunity to use your phone in a manner that
17 gives you, whether you want to call it primary or even
18 exclusive, service.

19 If you go to rural America, and you are on the
20 highways or you're in the main towns, there may be one or
21 two or even three carriers possibly that could do that. As
22 soon as you leave those main areas and move to what is
23 really rural America where there are high costs, you do not
24 have those same choices today. And that is what the Act
25 should be promoting.

1 MR. GREGG: Okay. Just to jump in. To be clear,
2 then, it's your position, Mr. LaFuria, that the Act mandates
3 that every American, even in the most remote area, have the
4 same access to say three carriers, even if we have to
5 subsidize each of those carriers, the same access as they
6 have in Denver.

7 MR. LaFURIA: What I'm suggesting is that people
8 who are economist -- such as Mr. Wood -- who are a lot
9 smarter than I -- have managed to figure out that the per-
10 line support methodology that we have is a very powerful
11 controller in the marketplace and the marketplace will
12 select the right number of carriers in any particular
13 market. If only one competitor can get into that market, a
14 second or a third competitor, having to take on the
15 responsibilities of an ETC, will not be able to enter under
16 the per-line methodology.

17 If you support all networks, for example, paying
18 all carriers on their costs, then certainly you will have
19 multiple carriers and we would not support that.

20 MR. STAIHR: I'm pretty sure that the word that's
21 in the Act is consumers. The consumers will have access,
22 not households. If you've got two consumers who happen to
23 reside in the same household, each happens to have his or
24 her own line, what you would end up with a single support
25 per location or household is one that has affordable service

1 and one that doesn't because one isn't supported.

2 So I think it comes down to consumers and not
3 locations and not households.

4 MR. GREGG: So all the kids my house have the
5 right to a subsidized connection?

6 MR. STAIHR: I don't know if all your kids are
7 consumers. I don't know who the controls the purse strings.

8 COMMISSIONER ABERNATHY: Trust me. My daughter
9 is a consumer.

10 MR. GREGG: And they're all subsidized, aren't
11 they?

12 MR. STAIHR: To the extent that -- and you asked
13 about the administrative difficulties --

14 MR. GREGG: Well, I'm going to ask about that in
15 a minute.

16 MR. STAIHR: Okay.

17 COMMISSIONER ABERNATHY: Commissioner Rowe, did
18 you have a follow-up to that?

19 MR. ROWE: Yes, a follow-up for Mr. LaFuria.
20 Were you suggesting that either mobility or a number of
21 carriers in some way met the statutory requirements for
22 covered service or that the joint board ought to add those
23 to the list of covered services? Were you pushing your
24 argument quite that far?

25 MR. LaFURIA: The question is, should the joint

1 board add mobility to the list of covered services?

2 MR. ROWE: Was that the end point of your
3 argument?

4 MR. LaFURIA: No. I don't know that it is
5 necessary. I believe that any carrier that can deliver the
6 supported services, however you define them, should be
7 eligible to attempt to get support. All markets should be
8 open to competition so that no matter what technology you
9 use, and you ask yourself, am I willing to make the
10 commitments that are required?

11 And we can all -- we've all talked about those
12 commitments, and the third panel, I think, is tied up a lot
13 with what those commitments should be, irrespective of the
14 technology, so I don't think mobility is required.

15 MR. ROWE: But the starting point of your
16 argument was that customers from urban areas have access to
17 multiple carriers, including mobile carriers --

18 MR. LaFURIA: Yes.

19 MR. ROWE: -- and that then leads you into the
20 statutory analysis.

21 MR. LaFURIA: Yes. If a -- if in a rural area
22 today, you conclude that rural consumers do not have the
23 same kinds of choices of telecommunications services --
24 whether they be mobile or fixed or wire line or whatever --
25 if you conclude that those choices are not available, then

1 policies that are competitively neutral have to be developed
2 to provide those choices, not merely a connection to the
3 network -- one single connection.

4 COMMISSIONER ABERNATHY: What do you do about the
5 fact that, if you're in a rural area and there is a wireless
6 provider in that rural area and a wire line carrier, and the
7 wireless provider built out with no subsidy support and
8 they're offering a \$35 a month package of minutes, and the
9 wire line price is \$15 a month -- so are you then saying
10 that, as public policy, we should provide support to the
11 wireless provider, even though, of course, they're still
12 making money and apparently running a solid business on
13 their \$35 a month charge -- that we should provide a support
14 mechanism so the consumers in that town also get the
15 wireless service at \$15 a month?

16 MR. LaFURIA: That's a very good question, and
17 we've talked about that a lot in state commission
18 proceedings. In almost all cases, the scenario that you've
19 described does not happen and should not happen, and I'll
20 explain why.

21 In rural America, in the towns where there is
22 sufficient density today to build good wireless networks
23 that provide consumers with a choice to use that as their
24 primary phone, those areas are being built without support.

25 The quality of network is there, and there is no

1 need for support to the wireless carrier. There's probably
2 no need for support to the wire line carrier in that area,
3 but that's a separate question.

4 With respect to wireless, if the wire line
5 company properly disaggregates its support and moves support
6 to the high-cost areas, then in a town of 15 or 20,000
7 people in the middle of a rural area, there should be no
8 support available.

9 And I have a number of clients -- there's -- in
10 fact, there's one in West Virginia where they've got -- I
11 think it's Bluefield -- is an area where there's three or
12 four wireless carriers, and the great majority of the new
13 CETCs' lines are in that area.

14 And because the ILECs have disaggregated, there's
15 no support available. So the vast majority of lines -- I
16 believe it's the vast majority of lines -- of this
17 particular entity get no support. And that's exactly as it
18 should be.

19 The support should be out in the more rural
20 areas, so as to force that competitive carrier, if they're
21 willing to make the commitment to service the whole area, to
22 go out and invest in those areas and bring those folks who
23 really need it the kinds of choices that are available, even
24 in a place, perhaps, like Bluefield, or in Washington D.C.

25 MR. GREGG: I believe it's 78 percent receive no

1 support.

2 MR. LaFURIA: Thank you, sir. I knew you'd be on
3 top of that.

4 MR. LUBIN: With regard to your question. It
5 sounds like a simple question, but for me a very complicated
6 question. From my point of view, there's several pieces of
7 it. The first piece is, I believe what the Act is talking
8 about is to create the opportunity for comparable service
9 for a customer.

10 And the conflict is, as actually said earlier by
11 Commissioner Dunleavy, is when you decided to create
12 competition possibly in the urban areas, or as David just
13 highlighted, in the city of rural area, you create
14 competition in that area which puts pressure that the rural
15 part of a company may not be able to maintain its rates at
16 the current level, or the universal service that it's
17 getting.

18 And so the dilemma is, because you've made a
19 decision that you're going to create competition, you have
20 to make sure that the rates in that rural part does not go
21 up. And so that is why, from my point of view, they create
22 more universal service dollars. Said it differently
23 disaggregating the universal service dollars into that
24 geographic area.

25 However -- again, to your question, is for the

1 customer to get comparable service. However, the state PUCs
2 need to determine whether they want to see competition and
3 grant ETC status in a particular study area or in a
4 particular area. That a separable question.

5 It is not, from my point of view, on the surface
6 to simply say, if I have three carriers competing in the
7 urban area, I need to have three carriers in the rural area.
8 That's not why I think it is.

9 But, again, once you create a universal service
10 fund, a cornerstone is to have it done in a competitively
11 neutral way. So, for me, it's, you create the universal
12 service fund, it has to be done in a competitively neutral
13 way, but there's a third question, do you grant ETC status
14 in all parts of the country? That's a separable question.

15 MR. GREGG: Susanne.

16 MS. GUYER: First of all, I would say in the last
17 seven years there have been lots of interpretations to every
18 phrase in the Telecom Aact. But I would say that what the
19 Act is intending to do is guarantee that all Americans have
20 access to a telecommunications service. And that does not
21 mean guaranteed access or support for multiple carries.

22 Now you all have policies in place to promote
23 competition, and what we are attempting to do here is
24 balance, ensuring that every American has access to
25 telecommunications service and keeping a safety pin for

1 that, but at the same, not creating any barriers to new
2 competitors coming in that would have an opportunity to
3 capture the customer.

4 And our proposal would allow a carrier -- a
5 competitive carrier -- coming in to receive support only if
6 that carrier captures the customer.

7 MR. GREGG: This brings me to the administrative
8 issue. You had mentioned that -- under Verizon's
9 proposal -- that the CETC would certify to USAC that it had
10 captured a particular line in order to receive support.
11 Correct? That's not necessarily the same as limiting
12 support to only single lines.

13 MS. GUYER: Right. We have struggled with this.
14 And we had looked at what are the real growth drivers and we
15 found that it was the supporting multiple providers, not
16 necessarily multiple lines.

17 And when we looked at the percentages of
18 additional lines in a household -- and also we looked at the
19 administrative difficulties of determining what is primary
20 versus secondary. And we have lots of people on my staff
21 that recall the difficulties when we're trying to apply PICC
22 charges. Joel will understand those.

23 So we looked at it in a sort of cost benefit
24 analysis and determined that, as a balance position, it
25 would be better to really try to contain the growth of the

1 fund through limiting support to a carrier who captures a
2 customer, but once that carrier captures the customer we
3 would support all lines.

4 MR. GREGG: It is correct that we currently
5 charge different rates in states that have reached the cap
6 on the slick between primary lines and secondary lines,
7 correct?

8 MS. GUYER: That's correct.

9 MR. GREGG: It's also correct that we limit low
10 income support to a single line. Correct?

11 MS. GUYER: Uh, huh.

12 MR. GREGG: It's also correct that certain state
13 universal service funds limit support to only single lines,
14 correct? It is possible to determine a primary line for
15 individual households, is it not?

16 MS. GUYER: Yes. And here's how I would also --
17 some other caveats I would say -- I think as we look at the
18 cost associated with the administrative issues here, I think
19 the regulators must think about how those costs are covered.

20 And as we have been looking at -- as the changes
21 have been made in the contribution mechanisms and
22 everything, there has been an attempt to contain the cost --
23 administrative cost -- and limit how those costs are
24 recovered.

25 So, as we work through changes in the plan -- the

1 system here -- I would suggest that where there are
2 increased costs associated with implementing the plan, then
3 we must also go back and think about how those costs are
4 recovered and that we have a meaningful opportunity to
5 recover those costs.

6 MR. GREGG: That's basically all I have.

7 MS. THOMPSON: I want to follow up more on the
8 administrative issues, and to understand better what
9 Verizon's proposing. It seems like there's -- if -- what
10 happens if a customer changes back? In a competitive
11 market, you have to assume that might happen.

12 You mentioned earlier that the carriers would be
13 responsible somehow, and I'd like to you explain to me
14 somehow, for certifying to USAC that they're the primary
15 line. What do you do when a customer changes back in the
16 middle of the year? Isn't it going to result in a whole lot
17 more administration for everybody to try and keep track of
18 that?

19 MS. GUYER: Again, Commissioner, we were
20 attempting to balance the growth of the fund and meaningful
21 opportunity for competitors to be able to capture a
22 customer.

23 So there could be occasions when a customer tries
24 a new service, then amends it's current provider and perhaps
25 that current provider then swings back into action and

1 offers new services or whatever and recaptures the customer.
2 That could happen. And, again, for us this was a balancing
3 act.

4 COMMISSIONER ABERNATHY: So this goes back again
5 to sort of the administrative. For those of you -- any of
6 you -- who think that you can go ahead and do this, are we
7 talking about support for certifying a particular carrier?
8 And then it would seem to me, if you certify a particular
9 carrier, why couldn't you just decide that regardless of how
10 many lines they're providing or what they're providing, they
11 only get support is if there is only one line.

12 MS. GUYER: That is -- that could be a reasonable
13 alternative.

14 COMMISSIONER ABERNATHY: Anybody else who wants
15 to comment on the administration of trying to designate a
16 particular carrier versus designating particular lines?

17 MR. LUBIN: I'd like to respond and that is, I
18 actually commend Verizon in terms of coming up with a
19 creative recommendation here. So that -- I'm looking to try
20 to see where creative solutions could be coming from.

21 The concern I have is, if you do that, what
22 ultimately is the size of the fund? And let me explain.
23 What I mean by that is, that would, basically, do it in a
24 way where the size of the fund and the growth of the fund is
25 relatively moderate, constrained so be it.